

Newspapers Relegated to the Dustbins of History

When the last newspaper goes bankrupt, people will be better informed. This is counter-intuitive only if you hold to the popular misconception that newspapers developed as an institution in order to filter out all but the highest quality information. The problem that newspapers address is reality is not one of quality, but one of distribution. They utilized mass-production in order to provide consumers with a cheap medium with a wide variety of content. This was a highly efficient solution to the problems of the printing press, but the internet is rendering such problems obsolete. As a result, the newspaper model will rapidly be overtaken by more effective online alternatives.

The incentives provided by the newspaper business model are unnecessary for the production of content. As pointed out in *Price Theory and Applications*, “Some people are willing to create without material reward, simply for the pleasure and glory.”¹ This is as true for nonfiction writing as it is for creative works—writer William Zinsser famously categorized nonfiction as a type of literature.² The fact that content is produced for pleasure does not imply that it will be poor in quality, either. The reason is simple—often people who have a passion for something will invest a great deal of time on it. Whether it's spent on research or taking art classes, it refines the tools that they will have available to produce

1 Hirshleifer, Jack et al. *Price Theory and Applications*, 7th edition. Cambridge University Press. New York, NY, 2005. Page 330.

2 Zinsser, William. “Nonfiction as Literature.” *On Writing Well*, 30th Anniversary Edition. HarperCollins Publishers. New York, NY, 2006. Pages 95-100.

content later on.

In some cases, they may be indulging in extracurricular pursuits on topics related to their profession. Tyler Cowen, of *Marginal Revolution*, is but one of many economists who write on weblogs, or “blogs”. Since his professional career is dedicated to accumulating information on a particular subject, the marginal cost of finding relevant information for a new publication in his field is significantly less than it would be for a non-economist. In fact, it's safe to say that it would cost a journalist far more to produce something of comparable quality on the subject. In the world of nonfiction, newspapers cannot compete with their online alternatives—Cowen is but one example of the professional blogging in his spare time. Eugene Volokh, of *The Volokh Conspiracy*, is a professor of law who offers far more educated insights than a newspaper could hope for, without asking for any subscription fee.

In terms of specific content, newspapers are simply unable to compete. Webcomics are abundantly available, free, and popular. Crosswords and Sudoku puzzles are numerous, as are puzzle games of every imaginable variety. Photo-sharing websites such as Flickr allow for the dissemination of photographs of far more diverse subjects than newspapers ever provided. Perhaps most significantly, websites such as Craig's List are providing substitutes for the Classified Ads pages.

The myth of the fact-checker aside, the content creation aspect of the internet does not actually come in direct competition with newspapers in and of itself. For newspapers in fact provide not high quality content, but variety in a world where the time to accumulate various sources is scarce. Just as the price system economizes the distribution of information that is fragmented across many minds³, so too do

3 F. A. Hayek, "The Use of Knowledge in Society," *American Economic Review*, September 1945, Pages 214-215

newspapers economize the access to certain categories of content that would otherwise be fragmented across many different specialized publications.

What newspapers offer is not authority, but a bundle, in which quality must to a certain extent actually be traded off for variety. For this reason, the fact that an article in *Nature* magazine on Climate Change may be more accurate than an article in the *New York Times* does not necessarily make the former a threat to the latter. A newspaper competes, not on the quality of a particular article, but on the quality of the bundle it offers as a whole. So while the *New York Times* may not be concerned with whether or not a particular article is as accurate as an article in *Nature*, it probably has to be concerned with whether or not it provides a higher quality product, with greater variety, than the *Los Angeles Times*.

What newspapers truly have to fear from the internet, then, is the fact that it gives consumers to ability to customize their own bundles of content. For almost as long as there have been web browsers, there have been “bookmarks”, which allow users to save the location of their favorite websites. More recently, websites such as del.icio.us have given users the ability to “tag”--not only to save locations, but to provide categorical data--“metadata”--about those websites. This means that even if a user saves a massive amount of bookmarks, all they need to do to locate a particular one is search for the particular word or words that they “tagged” it with. For instance, one might tag *Marginal Revolution*, with both words in the title, then “Tyler”, “Cowen”, “economics”, and “blog”, and be relatively confident that it could be found again by searching any combination of those words, even if there are a thousand other websites bookmarked.

Another tool is the feed aggregator, such as Google Reader, that allows users to subscribe to the content of many different websites and access it all in one place. The setup is then almost like a custom-made newspaper; you can subscribe to your favorite blogs, webcomics, even online newspapers, and you can access them all in one place, which signals you which of them have updated. Unlike physical paper, however, you don't have to waste storage space if you ever want to access old content. You can simply scroll back to old updates.

In the past, consumers had to decide between the bundles offered to them by different newspapers, all or nothing. The trade-offs that were made whenever it was decided to hire a particular journalist, or run with a particular story rather than an alternative, were taken on by the editorial staff. The consumer had no direct input in that process, and effected the outcome only insofar as competition between different newspapers made it clearer the sort of content consumers were interested in.

In a world where consumers make those decisions for themselves, however, the margin of competition will shrink to the level of competition. In *Price Theory and Applications*, it states that content may be given away free of charge because “original composition may yield indirect material gains”⁴ and it is for those gains that content producers on the internet will have to compete. The reason is that, as shown above, many people will produce content for no other reason than the pleasure of it, including high quality content. The market will be flooded with content, creating a stiff competition to be included in the bundles of consumers. Prices will be undercut until producers no longer even ask for money in exchange for the goods that they supply; merely the attention of consumers.

4 Hirshleifer, Jack et al. *Price Theory and Applications*, 7th edition. Cambridge University Press. New York, NY, 2005. Page 330.

Those producers of content that are able to make a living off of that particular trade will be the ones who manage to obtain “indirect material gains” through the acquisition of consumers' attention. In fact, this is already occurring. Webcomics predominantly offer their content for free, and the popular artists manage to make a living by selling merchandise. Successful comics such as *Questionable Content* and *Penny Arcade* sell a lot of T-shirts, with the latter even managing to sell large volumes of printed editions of their online works. Blogs have integrated Google Ads, which give them a small payment whenever their readers click on the ads. Glenn Reynolds, who gained fame through his highly popular blog Instapundit.com, wrote a book that sold quite well—safe to say far better than it would have, without the online fame he had achieved⁵.

The end result is that consumers are able to eliminate the newspaper's role entirely. They can experience a far greater variety of content than newspapers could have afforded to provide. At the same time, the sources of content will be engaged in a level of competition over quality that used to be relegated to the specialized publications, such as scientific journals. As people increasingly turn away from the old media, newspapers will go out of business one after another. When the time comes that the last one goes under, we will all already be much better informed. This trend will likely continue long after its timely demise.⁵

⁵ For more on how this competition yields efficient outcomes, see

Gurri, Adam. “Competition by Any Other Name.” *Our Media*. 12 Aug 2007. 7 Oct 2007.

http://www.archive.org/download/Competition_By_Any_Other_Name/MicrosoftWordCompetitionbyAnyOtherName.pdf